

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-435

July 16, 2001

BANGOR HYDRO-ELECTRIC COMPANY
Proposed Tariff for Space Heating Rate

ORDER APPROVING
STIPULATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we approve a Stipulation entered into between Bangor Hydro-Electric Company (BHE or Company), the Office of the Public Advocate (OPA) and Donna Robinson and thus, pursuant to our Order of November 14, 2000 in this docket, authorize BHE to defer \$425,000 on an annual basis for future recovery in rates. This amount reasonably reflects the difference between the amount imputed in revenues to the Company in *Public Utilities Commission, Investigation of Stranded Cost Recovery, Transmission and Distribution Utility Revenue Requirements and Rate Design of Bangor Hydro-Electric Company*, Docket No. 97-596, Order (Nov. 24, 1999) and the amount expected to be received in revenues under the space heat rate authorized by the Commission in this docket. The Stipulation we approve here also sets out the parameters for eligibility for the low-interest loan program offered to BHE residential space heat rate customers pursuant to our Order in Docket No. 95-701 and closes eligibility for the program as of the date of the Stipulation unless BHE actively markets the rate to attract new space-heat rate customers.

II. BACKGROUND

A full discussion of the history of BHE's space heat rate program is contained in our November 14, 2000 Order and will not be repeated here. In our November 14, 2000 Order we concluded that BHE should provide its space heating customers with a special T&D rate not to exceed 5.4¢/kWh and that the non-heating/heating rate break-point be set at 700 kWh for residential customers and 1200 kWh for non-separately metered commercial customers. Since we had ordered the Company to continue to provide eligible space-heat customers with service at prices below core tariffed rates, we found that it was appropriate to discontinue the revenue imputation begun in Docket No. 93-701. Thus, we granted an accounting order authorizing the Company to defer the difference between the amount imputed to the Company for space-heat revenues in Docket No. 97-596 and the amount expected to be received under a space-heat rate of 5.4¢ along with the newly established breakpoint of 700 kWh for residential customers. We concluded that the deferral should be based on the rate year level sales projected in Docket No. 97-596, adjusted by an elasticity factor of -.5, and that the prices used to calculate the changes in demand should only be those changes which occurred as a result of our order.

On December 8, 2000, BHE filed its proposal for an annual deferral of \$659,243 for the three space heat rate classes. As part of its filing, BHE provided a calculation that demonstrated, according to the Company, that the eligibility threshold for the low-interest program had not been triggered. In addition, the Company requested that the eligibility for the low-interest loan program now be closed given the fact that BHE no longer had "control" over the space heat rate since generation was now subject to retail access and since the space heat rate was a core tariffed rate, which could not be increased without Commission approval.

On February 16, 2001, the Commission's Advisory Staff filed its Statement of Issues. In its filing, the Advisors calculated the annual space heat deferral to be \$326,096. The Advisory Staff agreed with the methodology proposed by the Company to calculate eligibility for the space heat low interest loan program and its determination that the program had not yet been triggered but suggested, given the volatility in energy prices, that the Company submit on June 15th of each year an eligibility analysis based on the most recently completed heating season, until such time as eligibility for the program expires. The Advisory Staff also noted that it was in general agreement with the Company's position that the low-interest loan program be discontinued with respect to new customers. The Advisory Staff noted that its support for the elimination of the program was based on its understanding that the Company would not be marketing the space heat rate to attract new installations.

On June 8, 2001, we received a Stipulation entered between the Company, the OPA and Donna Robinson, who were the only parties to this proceeding.

III. DESCRIPTION OF THE STIPULATION

The Stipulation resolves all outstanding issues in this proceeding. With respect to the amount to be deferred pursuant to our Order of November 14, 2000, the parties agreed to an annual amount of \$425,000, or \$35,416.67, on a monthly basis, effective on the date of our November 14th Order. The parties agree that BHE shall be allowed to accrue carrying costs on the unrecovered balance using the Company's weighted average cost of capital as established in the Company's last rate case.

With respect to the Company's residential space-heat rate low-interest loan program, the parties agree that at the present time no customers are eligible for the program. The parties agree that the Company shall submit an eligibility analysis for the program on June 15th of each year through 2007 and that the eligibility calculation will be based on the average price per gallon for No. 2 heating oil during the winter heating season for each month as determined by the Maine State Planning Office and average "all-in" rate for electric space heat which, after March 1, 2000, shall be based on the residential standard offer rate and the Company's electric space-heat T&D rate. The baseline ratio for the loan program using this methodology is 0.05612 and the loan trigger, which is 40% greater than the baseline ratio, is 0.07857.

Finally, the parties to the Stipulation agree that new space-heat rate customers will not be eligible for the loan program from the date of the Stipulation unless they were actively solicited to participate in the space-heat discount program by BHE.

IV. DECISION

As we have now stated on many occasions, to accept a Stipulation the Commission must find:

1. the parties joining the Stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;
2. the process that led to the Stipulation was fair to all parties; and
3. the stipulated result is reasonable and is not contrary to legislative mandates.

See *Central Maine Power Company, Proposed Increase in Rates*, Docket No. 92-345(II), Detailed Opinion and Subsidiary Findings (Me. P.U.C. Jan. 10, 1995), and *Maine Public Service Company, Proposed Increase in Rates (Rate Design)*, Docket No. 95-052, Order (Me. P.U.C. June 26, 1996). We have also recognized that we have an obligation to ensure that the overall stipulated result is in the public interest. See *Northern Utilities, Inc., Proposed Environmental Response Cost Recovery*, Docket No. 96-678, Order Approving Stipulation (Me. P.U.C. April 28, 1997). We find that the proposed Stipulation in this case meets these criteria.

The Stipulation before us was entered into among all parties to this proceeding and is supported by our Advisory Staff. There has been no suggestion that the process that led to the Stipulation was anything but fair.

We also find that the Stipulation is reasonable, in the public interest and not contrary to any legislative mandates. The deferral amount of \$425,000 is based on the difference between the amount imputed to the Company in Docket No. 97-596, \$1,243,645, and what we find to be a reasonable estimate of the revenue to be collected under the new space-heat rate, \$818,645. We also find the proposed methodology to calculate eligibility for the space-heat low-interest loan program and the proposal to close the program to new customers, so long as such customers are not solicited by the Company, to be reasonable.

Accordingly, it is

ORDERED

1. That the Stipulation filed by the parties in this matter on June 8, 2001, a copy of which is attached hereto, is approved; and

2. That the Company is authorized to establish a regulatory asset and to defer \$35,416.67 per month in revenues, along with carrying costs, effective November 14, 2000. The ratemaking treatment of this regulatory asset will be considered by the Commission in the Company's next rate proceeding.

Dated at Augusta, Maine, this 16th day of July, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.